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TAGS: [ETTC](#) [PREL](#) [IT](#) [CH](#) [EXPORT](#) [CONTROLS](#)
SUBJECT: U.S.-ITALY DUAL USE EXPORT CONTROL CONSULTATIONS,
JULY 21-23, 2003

REF: ROME 2827

Classified By: Economic Minister Counselor Scott Kilner for reasons 1.5
(b) and (d)

[1](#)1. (S) Summary: U.S. and Italian government delegations held consultations on dual use export controls in Rome July 21-23, in order to increase mutual understanding of each country's controls and to further bilateral cooperation. Flexibility is a key component of each country's controls - in Italy through the use of catch-all procedures, and in the U.S. by means of broad lists of categories that prompt USG attention to proposed exports. Exports of space technology are addressed differently - Italy through dual use controls, the U.S. through defense trade controls. Both Italy and the U.S. confront the difficulty of controlling intangible transfers of technology. The U.S. uses technical assistance agreements and manufacturing licensing agreements as key tools to define the scope of a company's work and what technology may be transferred. Both sides agreed to hold future bilateral meetings every six months, to foster further information exchange, to increase transparency and to avoid misunderstandings. In the course of the talks, the U.S. delegation also raised continuing U.S. concerns about the M-code overlay issue as part of the EU's implementation of the Galileo program. The U.S. also provided a briefing on the new U.S. remote sensing policy.

[1](#)2. (S) Summary continued: Top executives from Italian firm Alenia Spazio (AS) joined the government delegations for a discussion of five projects of interest to the company in China. The GOI and the company reiterated that AS had terminated all cooperation with the PRC on the two projects for which it had completed feasibility studies in 2000 (reftel). Cancellation of the Atlantic Bird launch had caused serious financial difficulties for AS. Thus the company was interested in pursuing cooperation in five other areas suggested by the PRC: 1) data relay satellite; 2) Sinosat II; 3) China's manned space program; 4) interactive telecom satellite; and 5) navigation systems. The GOI confirmed that it would not authorize AS to cooperate with China on the projects without the USG's assent. The U.S. delegation promised to provide official responses on all five projects soon. End summary.

Participants

[1](#)3. (U) U.S.: Robert Maggi, Deputy Assistant Secretary of State for Political Military Affairs; Ann Ganzer, Director, Office of Defense Trade Controls Policy (PM/DTCP); Lisa Beames, Office of Export Controls and Conventional Arms Nonproliferation Policy (NP/NPC/ECNP); Philip Ritcheson, Assistant for Space Policy, DOD; J. Walding, Chief Engineer, Defense Technology Security Administration/Space Division, DOD; Martin Whelan, Division Chief, Space and Missile Defense Policy, J-5, Joint Staff; Salvatore Manno, Director, International Affairs, DOD; Scott Kilner, Minister-Counselor for Economic Affairs, U.S. Embassy Rome; David Mullenex, Science Counselor, U.S. Embassy Rome; John Finkbeiner, Economic Officer, U.S. Embassy Rome; Kelly Degnan, Political-Military Officer, U.S. Embassy Rome.

[1](#)4. (U) Italy: Giandomenico Magliano, Director General for Multilateral Economic and Financial Cooperation (DGCE), MFA; Ugo de Mohr, Nonproliferation Coordinator, DGCE, MFA; Gerolamo Schiavoni, Director, North America Affairs, MFA; Diego Ungaro, Director, Office of Defense Industry and Sensitive Technology Transfers, MFA; Aldo Doria, Director, Office of High Technology Products, Ministry of Productive Activities - Foreign Trade (MPA); Giulio De Martino, Consultant, MPA; Alfonso Spatola, Consultant, MPA; Carlo Magrassi, General Secretariat, MOD; Luca Fontana, Defense Staff; Antonio Agostini, Prime Minister's Office; Roberto Aristei, Prime Minister's Office; Paola Pera, Prime Minister's Office.

[1](#)5. (U) Alenia Spazio: Maurizio Tucci, CEO; Carlo Alberto Penazzi, Director General; Roberto Somma, Engineer; Paolo

Piantella, Engineer.

16. (C) Magliano opened the consultations by noting longstanding U.S.-Italy cooperation on security issues, industrial development, and the proper use and transfer of technology. The GOI hoped this would be the first of a series of consultations. DAS Maggi agreed that this important meeting was the first in a series of steps that the U.S. and Italy would take to help create an even more transparent and cooperative relationship in a very sensitive area. The U.S. was happy with recent discussions with GOI officials on these issues.

Italian Dual Use Export Controls

17. (U) De Mohr informed USDEL that Italian Legislative Decree 96, enacted April 9, 2003, implemented the EU's dual use regulation (EU Regulation 1334/2000) while updating the GOI's controls on the export of dual use goods and technologies. The Italian decree gives the Ministry of Productive Activities authority to implement Italian dual use export regulations, including the issuance of export licenses (in practice, this authority is devolved to the International Department in the MPA's Foreign Trade Unit, under Vice Minister Adolfo Urso). The MPA's Aldo Doria told us the GOI hopes to have an English version of Decree 96 available shortly. (See para. 42-45 for further background on Italy's implementation of dual use export controls.)

18. (C) The GOI views the "catch-all" provision of GOI law as a flexible approach to dealing with those exporters that do not voluntarily seek licenses, according to De Mohr. A "catch-all" clause provides the "maximum opportunity" to control what needs to be controlled. Information exchange with other countries is essential and needs to be improved to make maximum use of the "catch-all", he said. Italian law does not provide for the use of blacklists of sensitive goods and technologies for which exporting is prohibited, but relies on catch-all to make determinations on a case-by-case basis, De Mohr said. However, the GOI does use "U.S. blacklists" as a factor in determining whether to initiate catch-all. Watch lists are also problematic for Italy, De Mohr said, because they create a third category that might minimize the importance of the catch-all clause.

U.S. Dual Use Export Controls

19. (SBU) DAS Maggi explained that flexibility is a key component of U.S. export controls. The U.S. maintains lists of categories, rather than of individual items, in order to ensure flexibility and broad attention to exports. The U.S. uses both a blacklist and a watchlist as additional tools. Blacklists prohibit some or all exports to a select number of countries. The U.S. also checks all potential end users against a watchlist of close to 50,000 names.

110. (C) China and Chinese entities are the most common subjects of both the blacklist and watchlist, Maggi said - mostly due to human rights concerns after the Tiananmen Square crackdown and to subsequent missile proliferation sanctions. De Mohr noted that the USG and Italy should develop a common approach to China on arms control issues. Italy does not want to do anything in China in this area without being in agreement with the USG, he said. Transparency and mutual understanding are Italy's priorities.

111. (C) While the USG is concerned about the transfer of advanced technologies, small arms, conventional weapons and readily available technologies also need to be watched, Maggi said. De Mohr noted that Italy controls small arms and conventional weapons transfers through its munitions legislation (Italian Law 185, which is implemented by a separate MFA office) - De Mohr's dual use committee does not address small arms transfers. The EU also uses human rights violations as the basis for embargoes on the export of conventional arms that could be used for internal repression,

De Mohr said.

112. (SBU) Maggi suggested that it might be useful for Italy to review the Presidential Directive on Conventional Arms Transfer Policy that sets out 13 standards that the U.S. is required to take into account in assessing the possible granting of an export control license. Information from other USG agencies is an important resource, and the U.S. increasingly seeks scientific expertise, he said, adding that the Office of Defense Trade Control Policy recently hired a physicist to evaluate and advise on new technologies that may not be on existing lists.

Space Technology Controls

13. (SBU) Ganzer explained that, pursuant to a 1999 Congressional mandate, the U.S. controls almost all space technologies as defense articles rather than dual use items, even those that appear to have principally commercial applications. This includes remote sensing technology.

14. (SBU) De Mohr explained that in Italy, space technology is controlled on the dual use list rather than on Italy's munitions list. Spatola pointed out that some MTCR items are governed by munitions list and some governed by dual use lists. Space launch vehicles, for instance, are controlled as dual use items, in accordance with the Wassenaar Arrangement. After a company applies for an export license, the interagency committee evaluates the possibility of the technology being diverted and advises the political authorities in charge of the licensing process, which makes the final decision, De Mohr said. Where dual use conventional weapons are involved, the company applies for a license before proceeding with contract negotiations, he added. An authorization to negotiate is not an authorization to export, he stressed. Rather it lets the company know it is worth proceeding to the next stage of negotiations. Italy has established a round table to explain the risks to companies of doing business involving certain technologies and countries.

Controls on Intangible Transfers of Technology

15. (SBU) Italy controls the intangible transfer of technology via mail, phone, Internet, and e-mail, as imposed under EU regulations, which also require that each member state draft specific legislation to prohibit technology transfer and provide for sanctions in cases of violations of such controls, De Mohr explained. He said that enforcing such controls is difficult, frequently clashing with EU efforts to ease the freedom of movement of people within the EU. Nevertheless, Italy does attempt to keep track of foreign students when possible.

16. (SBU) Someone returning to his/her country after learning a new technology in the U.S. may "export" that technology by providing it to someone else after returning home, and existing export control regulations apply, Maggi said. Intangible technology transfers are difficult to regulate but vitally important, he added, citing the Joint Strike Fighter program as an example of joint development of new high-tech ideas by U.S. and non-U.S. companies and citizens. Most of the design work for the JSF will be done completely on an international virtual private computer network, not on paper. The U.S. uses a combination of high fines (which amounted to approximately 72 million dollars last year) and jail sentences to discourage people from passing on controlled technical data without a license, and to encourage exporters to comply with licensing requirements. The U.S. increasingly publicizes such requirements to help potential U.S. exporters understand their responsibilities and forestall compliance problems as much as possible. Compliance is in companies' best interests, not only to avoid prosecution, but also since controls can help protect intellectual property.

U.S. Technical Assistance Agreements/Manufacturing

Licensing Agreements

17. (SBU) Ganzer explained that technical assistance agreements (TAA) and the similar manufacturing licensing agreements are key licensing tools that define the scope of work and what technology may be transferred. Companies wishing to partner would draft an agreement, which is then reviewed by the USG (State, Defense, Joint Staff, and other interested agencies) based on national interests, the technology involved, impacts on regional stability, human rights concerns and similar considerations. State (Maggi, who has been delegated that responsibility by the Secretary of State) makes the final determination. If there is a disagreement or a significant policy issues is involved, an interagency meeting would consider the case. In rare cases, the Secretary of State would be the final arbiter.

18. (SBU) TAAs and MLAs are not blank checks - a change in circumstances can cause the USG to reconsider agreements approved earlier, Ganzer explained. The agreements also can be amended as warranted (such as the addition of a company's subsidiary to the activity covered by the agreement).

19. (C) Diego Ungaro, director of the MFA's Office of Munitions and Dual Use Controls, suggested that the U.S. and Italy might wish to draft an intergovernmental agreement to facilitate exchange of information. Such an agreement could perhaps facilitate the drafting and approval of TAAs/MLAs,

stemming potential revenue loss experienced by companies waiting for approval. The GOI could provide helpful information to the USG regarding Italian participants.

120. (C) Maggi responded that the U.S. is committed to working harder with Italy to improve the exchange of information. He suggested setting a broad schedule for our technical experts to meet for further discussion. Ganzer cautioned that any intergovernmental agreement would not remove the need for an export license, which is the legal mechanism for US companies to work with foreign partners. She also noted the keen interest of the U.S. Congress in export controls - some export licensing decisions require congressional notification, which can lengthen the approval process.

Alenia Spazio - Five Pending China Projects

121. (S) Alenia Spazio (AS) CEO Maurizio Tucci and several senior AS officials joined the government delegations for a discussion of five projects of interest to the company in the PRC. The discussion followed a visit June 21 by the U.S. delegation to AS's L'Aquila facility, which manufactures electronic equipment, including antennas, for spacecraft and telecommunications satellites. The delegation also visited AS's Rome headquarters and satellite manufacturing facility on June 23. Tucci noted that the plant visits underscored the company's commitment to a transparent relationship, through the GOI, with the U.S. He stated that AS will not undertake any future activity in the PRC without GOI approval. Tucci also spoke of the company's restructuring efforts - in 2002 AS reduced its payroll from 2880 to 2723 employees, and was planning a further 15 percent contraction. (We later learned from our GOI interlocutors that the L'Aquila plant is closed one week a month due to its current lack of business.)

122. (S) Magliano initiated this part of the discussions by noting the importance of Alenia Spazio's parent company, Finmeccanica, to Italian industry. The GOI's ownership (32 percent) including a "golden share" of Finmeccanica also contributed to the GOI's determination to work for the company's success. Magliano reiterated the assurances contained in his letter of June 23, 2003 to Assistant Secretary of State Bloomfield that Alenia Spazio had

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terminated all cooperation with the PRC on the two projects for which it had completed feasibility studies in 2000.

123. (S) Alenia Spazio Vice President for Marketing and Corporate Development Paolo Piantella said that after the cancellation of the Atlantic Bird launch, AS officials met

with Chinese government officials in the fall of 2002 to discuss the possible restitution of the 25 million dollars that had been previously paid to the PRC (AS does not expect to receive any reimbursement from its insurance policy on the Atlantic Bird launch). The PRC indicated that it was interested in pursuing the five projects currently under review. AS did not undertake any technical discussions with the PRC about the projects and has refrained from doing so since then. Piantella emphasized that this was a dinner party conversation, not a formal discussion between Alenia and the PRC.

1A. Data Relay Satellite:

124. (S) Piantella noted that some technical discussions on the data relay satellite project had occurred in the past, under AS' contract for the phase A study, before Atlantic Bird was canceled. The PRC had indicated that the purpose of this satellite was to deploy an operational system to cover China's manned space missions, and that AS could help define the system and the specifications of the subsystems. AS admitted that its mission, if it signed on to the project, would be to produce the payload hardware for China to launch a data relay satellite. The experimental satellite would consist of a Chinese DFH-3 bus with a S/Ka-band payload (based upon Artemus), with two RF crosslinks only (terminals). Alenia said the RF links may be Ka-band with S-band downlink. A ground-to-satellite/satellite-to-ground link will probably be Ka-band with baseband processing. The satellite would be located at 110 degrees east longitude in a geosynchronous orbit.

125. (S) Piantella continued that the project's Phase B study would take 12-18 months to complete, and would not involve the exchange of technical data. Phase B would define the areas in which Italy and China would cooperate to provide the hardware for Phase C, he said. Delivery of hardware under a potential Phase C would take 2-3 years, except for some off-the-shelf material. AS has not discussed with the PRC potential hardware delivery under a Phase C and did not know whether China had approached other companies since Italy suspended discussions in mid-2001. France's Alcatel is

another potential supplier of such hardware to China, he noted. It was difficult to speculate about the details of a potential Phase C given that Phase B has not yet started. Integration of the satellite would be expected to take place in China. AS has not offered a launch platform for the DRS. China plans to use either its older model DFH-3 bus, which would need substantial modification to be used with a satellite payload, unless the new DFH-4 platform China is working on is ready in time, he said. Piantella told us AS would not agree to the use of the Long March rocket for this or any other of its projects.

126. (S) Tucci said AS is not sure where things stand since mid-2001 with regard to China's pursuit of other companies in other countries. He noted that he stopped AS from undertaking even informal exchanges on DRS in early 2003, following consultations with the MFA. De Mohr added that US and Italian security interests are the GOI's top concerns. The GOI wants to support AS initiatives with China in space but the MFA will not authorize joint projects without the USG's agreement, he said. Italy's goal is to promote the maximum commercial interests for Italian companies compatible with our common security interests.

1B. Sinosat II:

127. (S) Piantella said AS has had no discussions with China on this project for nine months. The Chinese had expressed an interest in launching more telecommunications satellites to meet growing domestic demand. Sinosat I was purchased from Alcatel and launched in 1997. It is old and saturated. Sinosat II is a civilian commercial satellite with a DFH-4 bus (assuming China's new DFH-4 platform is ready). China may contract again with Alcatel for the payload, he said, although AS is also interested. Piantella said Sinosat II would utilize the "skyplex" method of multiplexing. The project is for a commercial capability. As with the DRS,

Sinosat II integration would occur in China. A Request for Proposals was supposed to have been released in early 2003 but AS had not yet seen it, he said.

1C. Manned Space Program:

128. (S) Piantella told us the PRC raised possible AS cooperation in this program last fall, apparently drawing on AS's work on the International Space Station and gravity free environment. Experimentation elements would include modules for cabinets and service capsules, with modules or racks for performing experiments that would continue to operate after the manned phase, he said. Power, environmental and data elements would also be likely. Any AS cooperation would involve the use of data relay from the spaceship to the ground.

129. (S) Maggi said the USG would like to have similar discussions with AS before any decisions are made on programs of this size with China. These are the type of inquiries the USG would make with any companies involved in programs like this before approving export licenses, he explained.

1D. Interactive Telecom Satellite:

130. (S) According to Piantella, this project would involve joint development of interactive terrestrial applications, such as tele-medicine (transmission of medical information from remote field hospitals to a central location), tele-instruction (instruction to students in remote areas) and internet via satellite. Ground based architecture and hardware would be developed initially, with satellite development at some later point.

1E. Navigation Systems:

131. (S) Chinese industry is interested in working on ground applications of navigation systems for air and maritime traffic management as well as fleet management for tracking of goods and vehicles, Piantella said. It is not related to the PRC's interest in pursuing a role in the development of the EU's Galileo program, with which AS is also involved as part of Galileo Industries, he explained. AS has had no direct contact with China on the navigation systems project, but is aware that China has an interest and a need in pursuing this technology, and we can probably expect to see this in the future.

132. (S) DAS Maggi thanked Alenia Spazio for its candidness and its willingness to respond to detailed U.S. questions, adding that this information was the type we would like to have in the future. The U.S. delegation would hold further consultations in Washington, but he hoped that we would be able to provide responses for all five projects soon.

133. (C) At Magliano's request, Tucci provided a summary of AS's active interest in expanding into a number of other

markets, including Arabsat, Vietnam, Nigeria, and Russia. He said the company would welcome U.S. advice and guidelines (as conveyed through the GOI) on such activity to avoid any misunderstandings or obstacles to AS cooperation with the USG and US companies in the future. Ganzer responded that U.S. companies have received licenses to participate in the Arabsat and Vietnamese projects, and AS thus could assume that the U.S. would not necessarily be concerned about AS activity with those projects. The USG has technology safeguards agreements with Russia and there is extensive space cooperation between the US and Russia. She cautioned, however, that the USG still has proliferation concerns with Russia, and each application is carefully scrutinized before an export license is granted. She encouraged AS to contact her office with any questions about specific Russian programs. She advised she is not aware of any Nigerian programs, and could not comment.

Galileo

134. (C) Noting the candidness that characterized these

discussions, DAS Maggi raised continued U.S. concerns regarding EU development of the Galileo program. The U.S. wants to see Galileo succeed, Maggi said, but the M-Code overlay is a serious impediment to war-fighting capabilities. He reiterated U.S. views that a technical solution to the M-code overlay issue could be reached, provided there was political will within the EU. Manno added that EC officials have rejected U.S. proposed technical solutions. At the political level, the EU seems convinced that moving off M-Code would not meet Galileo's requirements, though there has been no clear statement as to why. Technical-level discussions we have had with the EC indicate technical concerns can be overcome. Our mutual security would be enhanced if Galileo and GPS were to use different frequencies. If Galileo is launched with a signal for PRS overlapping the M-Code, and that signal is used by an adversary against Allied forces, Manno stressed that the Allied forces will be forced to jam that signal, compromising both PRS and the M-Code.

135. (C) Galileo is an EC issue, De Mohr replied, but the GOI understands the USG concerns regarding the M-Code overlay and will make an effort to be helpful. He asked for some additional information on the overlay issue that the GOI interagency committee could review (Manno agreed to provide such information and did so in the form of a paper passed by

emboffs to MFA on August 8). De Mohr promised to work with technical experts on the committee to see if they could help move the Italian side, at least, beyond the focus on technical issues. One such technical expert, the MPA's Spatola, said he personally agreed with the U.S. points, adding it was unclear to him why a technical solution could not be reached. The MOD's Magrassi said he would coordinate with DOD representatives to evaluate the operational impact as well as possible technical solutions.

Remote Sensing Briefing

136. (C) Beames presented a detailed explanation of the new U.S. policy on remote sensing to an appreciative GOI audience. Following the briefing, Magliano noted his government's appreciation that the new policy would involve more integration with foreign governments. Beames said the U.S. was committed to working with its key allies on remote sensing, and there were only a few, highly sensitive kinds of exports in which a government-to-government agreement might be necessary. The U.S. would welcome such an agreement with the GOI, especially given the type of activity being pursued by Alenia Spazio. We envisioned a broad, flexible agreement, to be followed by increased cooperation between our industries. Though we could in theory reach multilateral agreements, the U.S. believed bilateral agreements could be reached more easily and were probably more practical. Ganzer said the U.S. would welcome future bilateral consultations among technical experts to set the stage for a future U.S.-GOI agreement. The Italian delegation expressed strong interest in pursuing a bilateral accord on remote sensing.

Future Bilateral Exchanges

137. (SBU) DAS Maggi suggested that follow-up bilateral consultations be held every six months or so, to which Magliano agreed. Maggi added that the USG would be available to answer industry concerns at any time, however, in order to keep information flowing at industry's pace. De Mohr agreed that such "intersessional" work would be an important means of keeping communications lines open. Maggi suggested that we also consider the use of videoconferences in lieu of

face-to-face encounters, when practical. He said the U.S. was committed to making future exchanges possible, and would follow up with the GOI after consulting other relevant agencies in Washington.

138. (S) Magliano suggested that both sides pursue opportunities for joint Italian-American cooperation that could also include third countries. Italy has no intention

of working with China or other sensitive countries without coordinating with the USG, he said. Italy wants to balance the business needs of its industries with the security needs it shares with the US. Magliano raised the possible drafting of a proposal on U.S.-Italy cooperation regarding exports to third countries. The aim would be to assist U.S. and Italian industry, while also helping us to meet our mutual security concerns. Maggi indicated the U.S. side would need to discuss this proposal further. He noted that any such bilateral cooperation would only make sense if US and Italian industries thought it would be profitable. US industries usually prefer that the USG be involved as little as possible, he explained.

139. (SBU) Magliano reinforced the GOI's hope for further bilateral cooperation in third country markets, as good business, political, and security policy. He said the GOI looked forward to the U.S. implementing its revised remote sensing policy, and welcomed the convening of an experts' meeting that would work towards the possibility of a bilateral agreement.

140. (S) Ganzer stressed that the USG is committed to increased transparency to allow better understanding of US and Italian procedures and policies, and will remain available at all levels (including the experts' level). The USG wants to be a reliable partner, which means there must be sound business reasons for joint ventures and compliance with applicable laws and regulations, she said. Better communication will ensure more accurate and timely USG responses to Italians, she added. She pledged to get back to the GOI on the five China projects being considered by Alenia Spazio as soon as we have an answer on each project. The USG may need more information before producing a remote sensing framework agreement for GOI review, Ganzer said. She suggested bilateral technical experts meet first before pursuing work on a possible intergovernmental agreement.

141. (C) Comment: Embassy thanks Washington participants for a very well-prepared, instructive and forward-leaning discussion with the GOI delegation and with Alenia Spazio. The U.S.'s and Italy's somewhat divergent approaches to export controls have created bilateral tension from time to time, but the consultations' constructive atmosphere appears to have engendered mutual trust that should encourage further GOI transparency when issues of concern arise again. We look forward to assisting in the development of follow-up discussions.

Background on Italian Decree No. 96 of April 9, 2003

142. (C) NOTE: Italian Decree No. 96 formally tasks the GOI's interagency "Consultative Committee on Dual Use Goods Exports" to provide an opinion on every license application. Each ministry is provided beforehand the entire dossier of a license application. An opinion technically could be approved by majority vote (6 out of 11 votes), but in practice is reached by consensus. The opinion is non-binding on the Minister of Productive Activities, who makes the final decision on license applications. However, current committee president Ugo De Mohr (MFA) has told us that in his four years coordinating the committee the MPA has never issued a license against the Commission's recommendation. However, on a few occasions the Minister has declined to issue a license despite a positive assessment by the committee. The committee reviews approximately 600-1000 export applications each year.

143. (U) Although the Italian decree provides for the committee to operate under the auspices of the MPA, the committee president must be an official of the Ministry of Foreign Affairs (currently De Mohr). The director of the MPA's Office of Export Controls is vice-president of the committee and also runs the committee's secretariat (including the receipt and dissemination of license applications). Other agencies represented on the committee include the Ministries of Defense; Finance (including Customs); Interior; Communication; Education, University and Research; and Health. Four non-government technical experts

also attend committee meetings as necessary, one for each multilateral regime overseen by the committee (MTCR, Nuclear Suppliers Group, Australia Group, and the Wassenaar Arrangement).

144. (C) De Mohr has told us that the committee relies to some

extent on intelligence reports of the potential export of sensitive goods and technology (though the Italian decree does not formalize a role for the Italian intelligence services). Such information is particularly relevant to the invocation of catch-all procedures, when the exporter has not applied for a license. The Ministries of Foreign Affairs, Defense, and Productive Activities each can invoke the catch-all provision (these three ministries are the most active ones on the committee). The relevant company will then be informed that it must be granted a license before it may proceed with the proposed export.

145. (C) De Mohr and other consultative committee members have told us they weigh a variety of factors in reaching opinions on export license applications. Some exports will not be recommended due to policy reasons - de Mohr noted, for example, that Italy looks particularly carefully at export licenses where the end user is in one of the "countries of concern" to the U.S. The views of the committee's four experts are of particular importance in evaluating the potential threat from a proposed export. In some cases the GOI consults other governments and international organizations for previous experience with a particular type of export, or particular exporters or end-users. The GOI's "no-undercut" policy compels it to check for clarification with any partner nation that previously has denied export authorization for an essentially identical transaction. Italian firms that have previously received licenses are scrutinized for their adherence to requirements of the prior license, including acquiescence to any GOI post-shipment checks (generally done by Italian embassies). However, lack of resources generally impedes follow-up efforts, meaning the GOI must get good information before any license decision. End-user certificates may be required for particularly sensitive technologies. Though Italian law does not compel Italian firms to disclose the U.S. components in proposed exports, the GOI advises such firms to contact appropriate USG websites (Treasury's Office of Foreign Assets Controls) for the possible applicability of U.S. controls whenever it identifies U.S. components in a proposed export. END NOTE.

146. (U) This cable has been cleared by Washington participants.
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